

MONTHLY REVENUE REPORT

May 2008

The revenue collected in May 2008 from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.46 billion, which was up 8.8% from last year's level. Adjusting for the increase in the income tax rate, May tax collections were up 4.3%. This increase was primarily due to increases in sales, use, income, and single business tax collections. Compared with the Senate Fiscal Agency's estimated monthly breakdown of the May 2008 consensus revenue estimates for FY 2007-08, May tax collections topped the estimated level by \$86.8 million. At this time, it is estimated that this large increase from the targeted amount does not represent an actual increase in tax revenue, but rather reflects an unusually high level of uncertainty regarding the timing of monthly collections for several of the major taxes, including the sales, use, single business, and Michigan business taxes. So far in FY 2007-08, tax collections are up 7.3%.

Income tax revenue totaled \$460.1 million, representing an increase of 17.9%, or 2.6% after adjusting for the tax rate increase. Gross collections (withholding, quarterly, and annual payments) increased 10.5% to \$592.7 million largely due to an 11.4% increase in withholding payments. Gross collections were offset in part by \$132.6 million in refund payments to taxpayers, which were lower than the year-ago level by 9.2%. So far in FY 2007-08, income tax revenue is up 15.4%, due largely to the increase in the tax rate.

Sales tax receipts in May totaled \$522.7 million, which was up 2.1%; however, due to ongoing timing factors that affect monthly collections, May collections had been expected to be down 5.7%. As a result, sales tax receipts were \$40.0 million above the expected level. This large increase from the target estimate is most likely due to two factors: 1) individuals began spending more of their Federal rebate checks earlier than was expected, and 2) the sales tax on gasoline is not being offset as quickly as forecasted by reductions in the spending on other taxable items. Both of these explanations would suggest that the large increase in sales tax collections in May was largely timing related and not an actual increase for the fiscal year. Despite this strong increase in May, sales tax revenue derived from motor vehicle transactions was down 7.7%. On a fiscal year-to-date basis, sales tax revenue is up 2.3%.

Use tax collections in May totaled \$118.9 million, which topped the year-ago level by 5.6%. Actual collections exceeded the estimated level by about \$20.0 million; however, use tax collections tend to be somewhat volatile on a monthly basis so the gain in May is expected to be offset by lower collections in the next few months. Despite this increase in May, use tax receipts are still down 1.1% so far in FY 2007-08.

Single business tax revenue declined 17.2% to \$109.7 million in May, but these business tax collections were expected to be down by an even greater amount. As the collections from this repealed tax continue to wind down, it becomes more difficult to estimate collections on a monthly basis. Therefore, the increase in May appears to be more a timing issue than an actual increase in revenue. On a fiscal year-to-date basis, single business tax revenue is down 31.0%.

The revenue from the new Michigan business tax totaled \$64.7 million in May, bringing total collections from this new tax to \$531.1 million so far in FY 2007-08.

Among some of the other major taxes tracked in this report, real estate transfer tax revenue fell 43.9% to \$12.8 million in May and oil and gas severance tax revenue was up 37.7% to \$10.6 million.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for May 2008. Also presented are the revised consensus revenue estimates for FY 2007-08, which were adopted at the May 16, 2008 Consensus Revenue Estimating Conference.



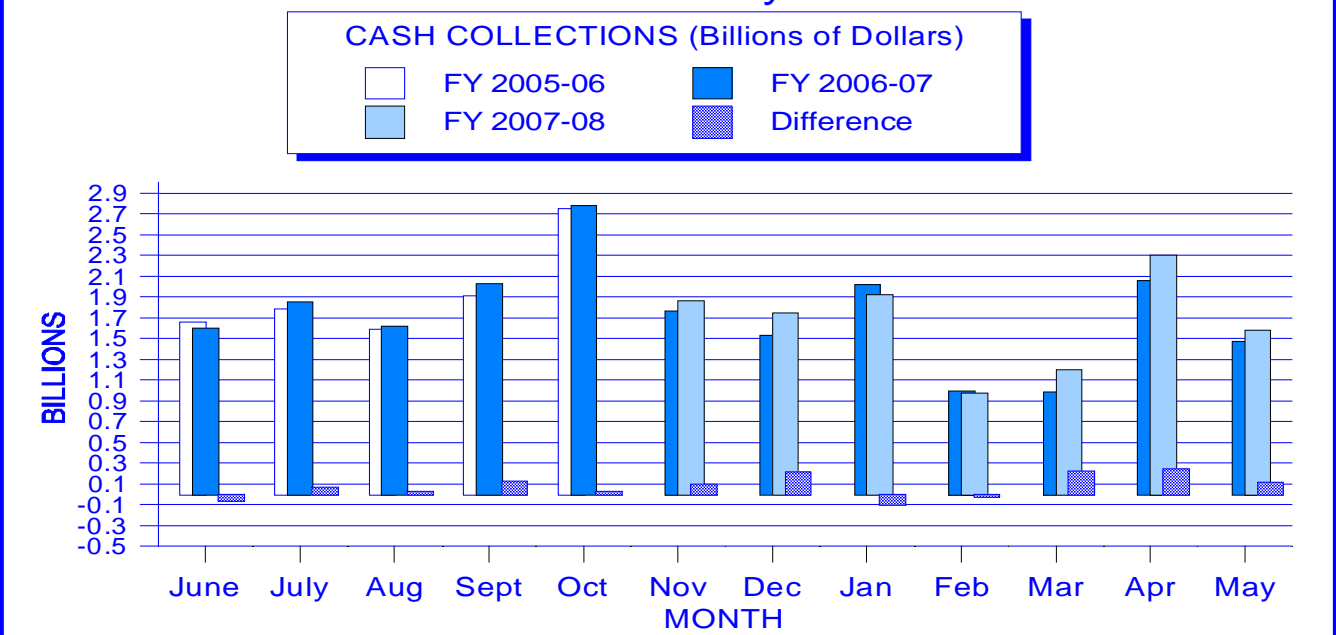
Jay Wortley, Senior Economist

MICHIGAN REVENUE UPDATE
MAY 2008
 (dollars in millions)

Type of Revenue	May Collections		FY 2007-08 to Date ²⁾		FY 2007-08 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2006-07
Gross Income Tax	\$ 592.7	10.5%	\$ 5,559.9	11.6%	\$8,999.4	10.7%
Refunds	(132.6)	(9.2)	(1,604.8)	3.4	(1,825.5)	8.2
Net Income Tax	\$ 460.1	17.9%	\$ 3,955.1	15.4%	\$7,173.9	11.4%
Sales Tax	522.7	2.1	3,786.2	2.3	6,648.8	1.5
Motor Vehicles	64.9	(7.7)	396.9	(1.0)	---	---
All Other Sales Tax	457.8	3.6	3,389.3	2.7	---	---
Use Tax	118.9	5.6	781.4	(1.1)	1,338.0	(3.1)
Tobacco Taxes	89.3	3.0	600.6	(5.1)	1,081.0	(4.3)
Single Business Tax	109.7	(17.2)	709.3	(31.0)	560.6	(69.1)
Michigan Business Tax	64.7	---	531.1	---	1,816.3	---
Insurance Tax	2.7	(87.1)	133.1	0.8	244.0	9.0
State Education Property Tax	32.9	32.1	506.2	8.4	2,028.3	(2.5)
Real Estate Transfer Tax	12.8	(43.9)	102.2	(24.4)	189.0	(20.4)
Casino Wagering Tax ⁴⁾	11.1	(13.3)	90.8	(16.2)	140.1	(12.1)
Oil & Gas Severance Tax	10.6	37.7	52.1	38.2	86.0	19.4
Other Taxes ⁵⁾	22.3	27.7	222.6	(2.1)	377.5	(19.7)
Total	\$1,457.8	8.8	\$11,470.7	7.3	\$21,683.5	5.4
Addendum:						
Gross Lottery Sales ⁴⁾	\$186.2	2.8%	\$1,557.1	(0.1)%	\$2,212.0	(0.5)%
Net to School Aid Fund ⁴⁾	\$ 63.7	6.3%	\$ 499.9	(0.1)%	\$ 749.2	0.0%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2007-08 year-to-date collections begin with November 2007 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 16, 2008, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2007-08 collections will include October 2007 to September 2008.
- 5) Other Taxes include beer, wine, liquor, industrial facilities, utility property, and estate taxes, and penalties and interest.

Actual Revenue Collections for Major State Taxes*
June 2006 to May 2008



*Comparison of actual collections. Major taxes include the beer, casino, estate, income, industrial facilities, insurance, liquor, MBT, oil & gas severance, real estate transfer, sales, SBT, State education, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.